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# Housing for SENIOR CITIZENS



FARMERS HOME ADMINISTRATION  
U.S. DEPARTMENT OF AGRICULTURE  
PA-640



# Housing for SENIOR CITIZENS

## ■ Loans for rental housing for senior citizens in rural areas

The Farmers Home Administration, under Title V of the Housing Act of 1949, as amended in 1962, makes direct and insured loans to provide rental housing in rural areas for senior citizens, 62 years of age or older.

These loans fill a housing credit gap in rural areas and offer an opportunity for senior citizens to maintain their independence and to live out their lives in dignity in the communities where they have spent their working days and where their roots are deepest.

Questions and answers explaining details of these loans follow:

### **How may loan funds be used?**

Loan funds may be used to construct, purchase, improve, or repair rental housing designed to meet the needs of senior citizens who are capable of caring for themselves. Housing may consist of apartment buildings, duplex units, or individual detached houses or cottages suitable for independent living by senior citizens. Funds may also be used to provide appropriate recreational and service facilities, to buy and improve the land on which the buildings are to be located, and to develop the water, sewage disposal, heat, and light systems needed for the housing. Loans may not be made for nursing, special care, or institutional types of homes.

### **Who may borrow?**

Direct loans may be made to private non-profit corporations or consumer cooperatives.

Insured loans may be made to individuals, trusts, associations, partnerships, and cor-

porations including municipal corporations or other corporate agencies of a State or local government.

Applicants must be able to incur the obligations of the loan, give adequate security, and have sufficient income for repayment. They must also have the ability and intention of maintaining and operating the housing for the purposes for which the loan is made.

Loans are made only to applicants who are unable to finance the housing either with their own resources or with credit obtained from private or cooperative sources.

### **Who may represent an applicant?**

If an authorized representative of the applicant acts in the applicant's behalf, he should be a person who has no pecuniary interest in the award of the architectural or construction contract or the purchase and improvement of the land for the housing site.



## **Who may occupy the housing financed with a senior citizen's loan?**

The occupants must be 62 years of age or over or families in which the husband or wife is 62 or over. The housing must be available only to those senior citizens who are rural residents.

Housing financed with a direct loan must be for senior citizens with low or moderate incomes. The maximum income level for occupancy will be established by the Farmers Home Administration.

No discrimination will be permitted in the occupancy of the housing because of race, color, creed, or national origin.

## **What is a rural area?**

A rural area includes, besides open country, small towns of not more than 2,500 population which are not part of or associated with an urban or suburban area.

## **What are the terms and interest rate?**

A borrower obtaining a direct loan pays 3.75 percent interest on the unpaid principal. A borrower obtaining an insured loan pays  $5\frac{3}{4}$  percent interest on the unpaid principal. Maximum repayment period for a direct loan is 50 years and an insured loan 40 years. Each borrower is required to refinance the unpaid balance of the loan when able to obtain such refinancing at reasonable rates and terms from other lenders.

## **What are the limits on the size of a loan?**

A direct loan may not exceed \$200,000, less any other debts against the security, or the development cost, or the value of the security, whichever is least. An insured loan may not exceed \$300,000, or the development cost, or the value of the security, whichever is least. The Farmers Home Administration will make an appraisal of the security property to determine its value.



**Are plans reviewed and construction inspected?**

Yes. The Farmers Home Administration reviews the plans and inspects the work as it progresses to assure sound and acceptable construction.

**What standards must be met by housing financed with these loans?**

Buildings and water, sewage disposal, heating and electrical systems financed with these loans must be well constructed and conform with any applicable laws, ordinances, codes, and regulations governing construction, heating, plumbing, electrical installation, fire prevention, and health and sanitation.

The housing must be constructed in an economical manner and not be of elaborate or extravagant design or materials.

**When can construction be started?**

The applicant must wait until the loan is closed before starting any construction or incurring any debts for material or labor to be

used in the housing or related facilities. The borrower and contractor building the housing must comply with requirements regarding equal employment opportunities for qualified persons regardless of race, color, creed, or national origin.

**What information must an applicant submit when applying for a loan?**

Before taking any action, the individual or organization may wish to discuss the proposed project with the Farmers Home Administration local county supervisor. An application is filed by sending a letter to the supervisor stating the purpose of the loan, amount of loan funds needed, previous experience in operating rental housing, and proposed manner of securing and repaying the loan. Also included in the letter or as attachments should be:

1. If the applicant is an organization, copies or citations of the specific provisions of State law under which the organization has been formed, copies of its charter, arti-

cles of incorporation, bylaws, and other basic authorizing documents, and the names and addresses of principal stockholders. If the applicant is a subsidiary of another organization, the name, address, and principal business of the other organization should be given.

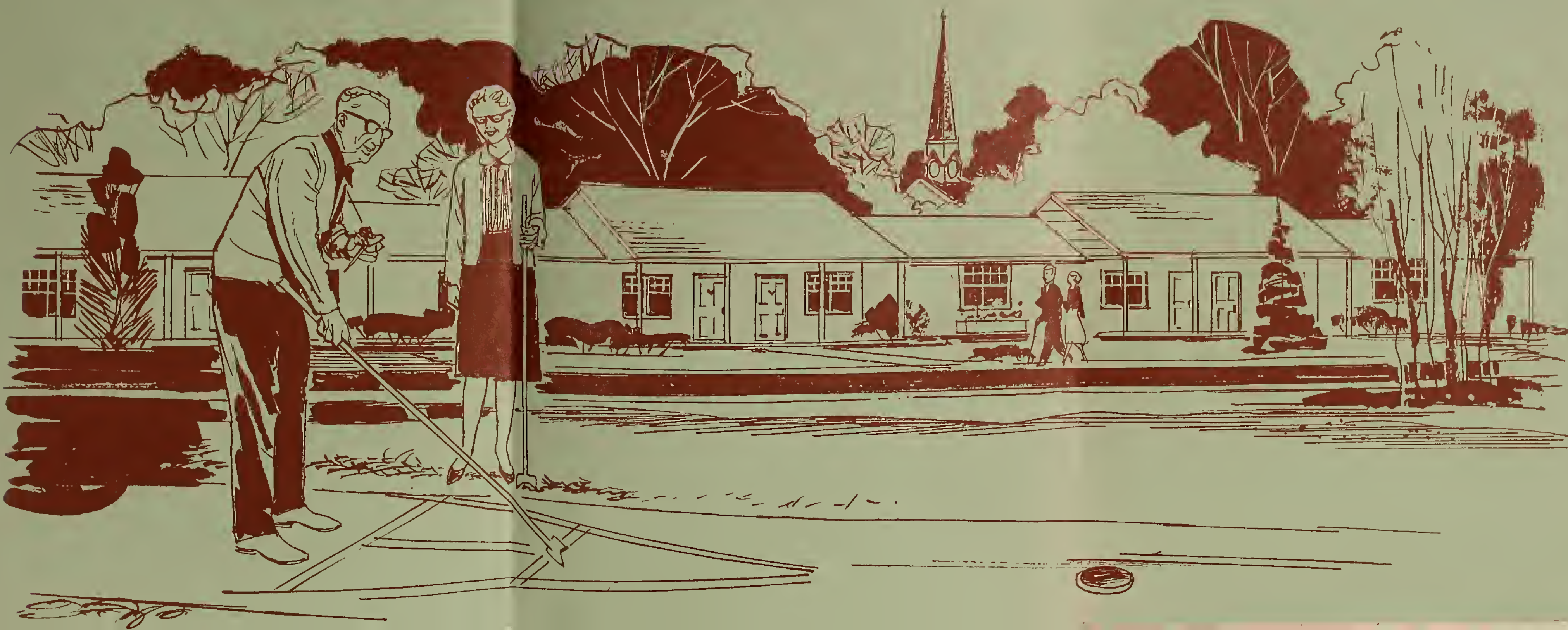
2. A current and complete financial statement showing assets and liabilities together with information on the repayment schedule and status of each debt.

3. Evidence that other credit is not available.

4. A statement on the amount and method of providing initial operating capital to cover preliminary expenses and initial operating expenses.

5. A proposed operating budget showing anticipated income and expenses for a typical year of operation.

6. Plot plan and preliminary housing plans including building layout, type of construction, number and type of living units, and an estimate of the cost.





7. A preliminary survey of the area showing the need and probable future demand for senior citizens rental housing.

8. A brief description of the neighborhood including topography and drainage and a listing of such existing facilities as shopping centers, churches, transportation, sewage disposal and water systems, doctors' and dentists' offices, and hospitals.

When the application has been reviewed and it appears that favorable consideration can be given to the loan, the applicant will be required to furnish detailed plans, specifications, cost estimates, and operating budgets, as well as building codes, zoning requirements, and other related information.

#### **What security is required?**

Each loan will be adequately secured to protect the interest of the Government. Ordinarily, a mortgage will be taken on the housing, including the site. When necessary, additional security may be required.

#### **What are the sources of loan funds?**

Direct loans are made from a revolving fund established by Congress.

Money for insured loans is provided by banks, insurance companies, retirement funds, and other sources of investment funds.

#### **Where do applicants apply for these loans?**

At the Farmers Home Administration county office serving the area where the housing is to be provided.

#### **How do rural rental housing loans for the elderly aid in rural areas development?**

Housing facilities for senior citizens help round out a rural community and make it a more desirable place in which to live. The construction of the housing also provides employment for carpenters, plumbers, masons, and others and boosts sales of construction materials and home furnishings.

#### **What other credit is available for senior citizens housing?**

The Farmers Home Administration also makes loans to elderly people, 62 years of age and over, who live in rural areas to buy previously occupied housing as well as build or improve their homes. Senior citizens can use a housing loan to finance the cost of a building site as well as the dwelling. When they do not have enough repayment ability they may use cosigners to assume loan payments.